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Senate repeals Single Business Tax and introduces legislation to reduce the SBT Alternative Business Tax rate

LANSING –The state Senate voted today to repeal the Single Business Tax on Dec. 31, 2007 and introduced legislation that reduces the alternative rate small businesses pay on the Single Business Tax from 2 percent to 1 percent. Sen. Valde Garcia said the SBT has been one of the largest obstacles to job growth in the state.

“Today’s vote was a vote for all businesses in Michigan and for job growth,” said Garcia, R-Howell. “I am glad the time has come to say goodbye to this tax, and I’m very pleased the Senate has introduced legislation to reduce the alternative rate. Today the legislature took action to help small businesses and help Michigan’s economy.”

House Bill 5743 was amended by the Senate to prohibit the Legislature from replacing the SBT with an increase in the rate or base of taxes on individuals, including the income tax, sales tax, use tax, or real estate taxes on residences.

The Senate also amended the bill to require the Governor’s Council of Economic Advisors to develop a plan by Jan. 1, 2007 to replace the SBT with business taxes that are more conducive to job creation, investment and economic growth.

In addition to voting to repeal the SBT, Garcia co-sponsored another bill that would cut the alternative rate small businesses pay on the Single Business Tax in half, to 1 percent. The measure would also increase the business income qualification for this tax from \$475,000 to \$525,000 and end the practice of manipulating out-of-state gains and losses to reduce tax liability.

Garcia said small-business owners welcome the repeal and the reduction in the alternative rate.

“More than two-thirds of the jobs in our state are created by small business,” Garcia said. “With the repeal of the SBT and the proposed reduction in the alternative rate, these companies will be able to hire again.”

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